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East Europe Report

ECONOMIC AND INDUSTRIAL AFFAIRS

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EAST EUROPE REPORT

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PLANNING OFFICIAL DEFENDS ECONOMIC POLICY STRATEGIES FOR 1985

Warsaw POLITYKA in Polish No 42, 20 Oct 84 pp 1, 4, 5

[Interview with Franciszek Kubiczek, first deputy chairman of the Government Planning Commission, by Andrey Mozolowski; date, place not given]

[Text] Question: A cabinet minister, referring to consultations, told me this anecdote: three Negroes caught a goldfish, which, in exchange for freedom, agreed to grant one wish to each of them. The first wanted to be a white, and so did the second. But the third one said, I want them to be black again. Is that how the consultation of the 1985 draft plan proceeded in Poland?

Answer: Of course, situations such as this did occur, there were demands that were mutually exclusive. But I think we could return to this subject later on, while for a start I should like to introduce some order into this interview, if only because of the character of the place where I have the pleasure to receive you.

Question: Quite rightly. Then let me start with this question: the preliminary draft of the Central Annual Plan will shortly become a plan. It was preceded by a long and, I presume, also an expensive program of consultations. What exactly did the Planning Commission expect these consultations to produce and to what extent were these expectations met? Last year's experience was not very encouraging.

Answer: Last year the consultations lasted for too short a period of time and they were not very well prepared either. This year, economic ministries took a very active part in the consultations. Their officials held numerous meetings with trade union federations and enterprise managers. We wanted to achieve three things: to begin with, we wanted to make sure if, and how closely, our draft matches the possibilities and the plans of the enterprises. It turned out that on the whole we tink along similar paths. The concordance of views was almost complete with regard to production growth, but not quite so with regard to efficiency, but even here the discrepancy was not great. And the differences were smaller than they had been when we were consulting the 1984 plan a year ago.

Question: What did the differences consist in?

Answer: They concerned the growth of productivity and reduction of material consumption and production costs, i.e., matters which many enterprises do not take to heart as much as they ought to. However, in comparison with 1983, it can be noted that the people in charge of enterprises are much more aware of the determinants that the economy faces and the barriers that cannot be cleared.

Question: Such as the desire to increase employment?

Answer: Exactly. Or investments. Everybody wants to invest.

Question: Are you surprised? If you think about the depreciation of capital equipment, the machines which only keep working by some miracle...

Answer: I'm not surprised but I can't accept it. To allow every enterprise to invest according to its needs would amount to consenting to growing inflation, disequilibrium, to even more unfinished projects. We already have too many of them. But let's go back to the aims of the consultations. The second goal was to encourage enterprises to start working on their plans early so they could answer our questionnaire.

Question: What questionnaire was it?

Answer: We sent a questionnaire to 1,200 enterprises regarding the CAP targets for 1985. Therefore, in order to be able to answer our questions, the management, the self-management body, the workforce had to know what they wanted to do. They had to prepare their own plan--or at least the core of it--in July or August. This is important. After all, in the reformed economy there is no plan that is a command to follow, nor planning instructions. Planning does not proceed in an obligatory manner. Everybody prepared his own plan, according to his own needs and knowledge but--I hope--in accordance with the targets of the central plan.

Question: Has the aim of this "encouragement" been attained, too?

Answer: I think so. Also please note that during the consultations nobody questioned the thesis about the necessity of harmonizing the plans of enterprises with the central plan, and not only with regard to Government orders and operational programs. Besides, the fact that almost all the enterprises returned the questionnaires filled in speaks for itself.

Question: But nobody is questioning your thesis, only everybody does what his needs and possibilities dictate, and then the figures do not add up. And, as for huge number of replies, couldn't it be that the enterprises were simply afraid not to answer to the Planning Commission?

Answer: You must be joking! Why should anybody be afraid of the Commission, which does not even make decisions? And now let's move to the third aim of the consultation, that of spreading the public awareness of economic matters?

Question: Have you succeeded?

Answer: I don't know for sure. Analyses made by the Government Opinion Research Center [CBOS] suggest an answer in the affirmative. Judging by the number of people joining in the consultations--and you must remember that in addition to the 1,200 enterprises there were opinions and remarks of social and political organizations, professional unions, economists' associations, commentators and private citizens--this awareness is not so small at all. Incidentally, I am of the opinion that an average worker of the Warsaw FSO car factory knows ten times more about the national economy than, say, a Ford worker in America knows about American economy. On the whole, I can say that the consultations not only yielded abundant fruit, but also that the fruit matched most expectations.

Question: And that despite the contradictions we mentioned at the outset?

Answer: Yes, despite that, but maybe also thanks to that. These contradictions were in most cases the result of a personal point of view of the participant in the consultations, and were therefore inevitable to some extent. Let me give you a typical example: in industry, the speakers urged shifts of labor from the non-productive sector to make up for labor shortages not everybody is aware that the core of the non-productive sector is made up first of all of education and the health service, while in the non-productive sector, the opposite demands were voiced. Or, in another institution, here in item 92 they say, "It is necessary to freeze wages in 1985, introduce centrally controlled price rises to offset the present market situation," while under item 27, there is the demand coming from trade union circles for settling in the Central Annual Plan the problem of compensating the effects of the projected growth of prices to workers.

Question: Which indicates that the economic education of society you have mentioned has not yet reached such heights. However, could you list briefly some views characteristic of individual professional or social groups?

Answer: Here you are. It will be very brief, hence a bit simplified. In industrial enterprises, concern to prevent the capital assets from depreciation predominated. People demonstrated the need for investments, urged financial preferences for production in general or for their particular branch of production. In trade union circles the main themes were housing construction, the improvement of welfare activity in enterprises through allotting bigger funds to welfare and housing assistance, or the need to raise the minimum pay, which now stands at Zl 5,400.

Question: Do you think this would be feasible?

Answer: If this only concerned raising the minimum pay, it would. However, no fewer than 19 benefits are tied to the minimum wage. Therefore if the minimum were raised by, say, Zl 1,000, this would involve between 25 and 30 billion a year as a result of the higher benefits. But let me go back to the subject: the PRON, the Consumers' Federation, the Council for Family Affairs, the Council for the Elderly and Invalids, voiced demands for higher pensions i.e., the demand for pension indexation beginning with 1985 and not 1986 as originally planned, greater spending on care for the disabled,

etc. as well as more realistic calls for adjusting the amounts to be spent on welfare to the economic possibilities of the state. I could also say in brief what was demanded by the youth milieus and what by the rural population, what by economists and what by engineers, but unless I elaborated on the subject it would be difficult to draw conclusions from the demands, while the general themes are easy to guess anyway.

Question: I'll make a try then. The youth asked for more credits for young married couples and more city-financed housing; the farmers asked for higher procurement prices and cheaper production supplies, scientists asked for bigger funds for science and for the impoverished scientists. Am I right?

Answer: I don't deny. However, if you compare the results of this consultation with that we had a year ago, the present views are much more balanced and objective. For example, almost everybody thinks it is the most important thing to attain market equilibrium, even though everybody is aware that this will call for some sacrifice. But on the other hand the equilibrium means a calmer market, less queuing, a better operation of the reform mechanisms and greater motivation to more efficient work.

Question: Exactly. What will happen to that equilibrium--or rather disequilibrium--next year?

Answer: The adoption of the first variant of the plan--which was supported by the majority of those taking part in the consultations and which will certainly be approved--will result in the elimination of the inflationary gap. This year this gap will amount to Zl 70-80 billion while by next year it should disappear altogether. This means that the amount of goods to be delivered to the market will equal the amount of money determining the purchasing power of the population. However, the overhang will remain, i.e., the surplus of money accumulated over the recent years. But I presume that as the market stabilizes, this overhang will be transformed from hot money into voluntary savings. So, I repeat, the market will certainly be calmer.

Question: But the saving bonds issued in 1982 mature next year, which means that Zl 160 billion will suddenly land on the market and shatter all the plans of the Planning Commission in this respect.

Answer: But the Government will try to counteract that.

Question: Could it be planning to block the cashing of these bonds?

Answer: By no means. On the other hand, it will try to encourage the people not to cash them at once and to treat them rather as voluntary savings bearing an attractive interest.

Question: Which of the conclusions from the consultations were accepted by the Government and was the draft modified accordingly?

Answer: First of all, as I said, the choice of the first variant was taken into account. Furthermore, replying to widespread demands, the draft will

envisage a bigger growth of food supplies--instead of the original 1 percent which would be practically neutralized by population growth it should increase by 1.5-2 percent. The good harvest and the symptoms of improvement in breeding create such a possibility. We shall also examine a plan concerning an increase in the export of so-called luxury goods and spending the money thus earned on other goods the market needs more badly; for example, an additional export of 10,000 cars would result--after deducting the value of the cars--in a growth of market supplies by Zl 3.5 billion worth of goods.

Question: And what about prices and wages?

Answer: The Planning Commission insists on 9 percent rises, not including the effect of the price changes introduced this year. It is true that some organizations e.g., the trade union's authorities, as well as the Sejm Socio-Economic Council warned that such a partial freeze on prices will bring us back to where we were three years ago and that in the end it will again be necessary to introduce a single huge price rise later, but we would still prefer to obtain the desired effect by putting both prices and wages in order at the same time, which is more difficult but also more proper.

Question: And what about the housing demands?

Answer: This is a hard question. If you look at the results of the consultations, you would see that the closer one was to the construction industry the more he was aware that it will not be possible to build more flats than the preliminary draft envisages. If there is to be more flats, they would have to be built from the same amount of materials, through economies, especially through eliminating the waste of materials, working time, etc., and besides, with the help of bigger funds committed by the future occupants themselves.

Question: During the consultations many critical remarks were made regarding the structure of production and investment. The critics insisted that the rate of growth of deliveries of production supplies must not exceed that of the production of consumer goods (4.4 and 4 percent respectively), that it can't be so that money is still invested in the industries producing production supplies while the consumer-market oriented industries are discriminated against, that there is still so much emphasis on the steel industry, especially the Huta Katowice steel complex. And where in general is the restructuring we were promised? It's nowhere to be seen.

Answer: To begin with, the index of growth of market supplies also embraces food as an important component and one whose volume cannot be easily increased for obvious reasons. As regards industrial products, the volume of their supplies should increase by 6 percent next year, which is faster than the deliveries of production supplies. Besides, not everybody is aware that the growth of market production requires a bigger growth of imports, which is a serious restraint that can only be overcome through developing exports. As for the steel industry, production is to rise by only one million tons by 1995, while the growth of the volume of products made of this steel will be much higher. In other words, it is higher quality that is at stake.

This translates into the need of modernization. After all, the Lenin steel-works is in need of a major reconstruction. Besides, housing, farm machinery, motor industry all need steel.

Question: But first, for forty years, we were telling the people that first it is necessary to develop the steel and coal industries, and the heavy industry, and only later there will be an abundance of all kinds of consumer goods as a result. And indeed, we have been developing all these branches the way we should, at the cost of huge self-denial. And we always planned for a faster development of the A group of industry the means of production than the B group consumer goods, and the former were usually surpassed while the latter were not implemented as a rule, and yet kitchen pots are still as hard to buy as ever, to say nothing of the shortage of housing...

Answer: You are confusing the structure of production with the crisis, which are two completely different things. Just look at these graphs here: almost 20 percent of the machinery in industry is fully depreciated. They no longer have the right to work, yet they keep working because they must. In the electrical engineering industry, this share is as high as 25 percent. And there are no new machines to replace the aged ones. Before long, the time will come when it will be necessary to increase the volume of investing, including its share in the national income, in order to arrest the depreciation trend. This will give you another opportunity to complain that A is bigger than B.

Question: But maybe we are simply using too much steel? Do we have to use more steel per capita than the U.S., with maybe slightly inferior results, so to put it?

Answer: Of course it is necessary to save and quantity must be replaced by quality, but high quality, high technology means more investment. You are demanding restructuring the economy, which is concordant with the voices heard during the consultations. Fine, but that also involves huge investments.

Question: However, the restructuring consists in developing the most cost-effective areas and abandoning other ones. What have we abandoned so far?

Answer: If we wished to give up the production of anything, we would have to start importing it [Minister Maciejewicz mentioned it in a POLITYKA interview]. In order to import something on a regular basis, it is necessary to increase exports in a corresponding fashion. In other words, the restructuring involves a very big growth of exports and the orientation of economic activity toward exports in general. This is a difficult and time-consuming process which may take decades of efforts. Of course, next to the major, centrally-controlled restructuring, there is the vast field of changes in production programs of autonomous enterprises dictated by economic instruments or bans.

Question: What kind of bans?

Answer: For example, after a given date--a sensibly chosen one, of course--it can be forbidden to produce refrigerators, washing machines or TV sets

using too much electricity or cars that burn too much fuel, which will force the manufacturers to look for better designs or production technology.

Question: Once you mentioned the instruments of implementing the plan, can you tell me how you are going to use them in conditions of the departure from the plans based on commands?

Answer: We shall use all the available tools provided by law. We shall use Government orders, operational programs, and tools built into the system, such as the FAZ tax, as well as economic parameters such as taxes, credits, customs duties, export revenue deductions and deductions for various funds, e.g., the technological economic progress fund.

Question: The enterprises have been sharply criticizing the endless changing of these parameters, which practically makes it impossible to plan. They demand stable economic and financial conditions and do not want to be taken by surprise every now and then.

Answer: The principles must be relatively stable--mind the word "relatively." I agree that this can be attained, although not in every area: it is impossible to promise stability when the mechanisms do not produce the expected results in a given domain. But the parameters themselves will become variable--after all, they are the tools of current economic policies. It is not possible to give enterprises the comfort of constant parameters. The enterprises must be better prepared to respond to the changes, even if they occurred several times in a year. But this is no reason for the managers to become upset.

Question: Planning consists in predicting. It is possible to anticipate the evolution of economic tendencies but how can one predict administrative decisions?

Answer: If someone is really able to predict the evolution of the economic situation, he will also be able to anticipate administrative decisions on the basis of his knowledge of the state of the economy, the detailed communiqués on the meetings of the Council of Ministers and the Government Presidium, an analysis of GUS communiqués, the articles in ZYCIE GOSPODARCZE or RYNEK ZAGRANICZNE, Government statements, etc. For example, it was possible to foresee the change of the exchange rate of the zloty to the dollar or the curbs on investing. With the reform in force, it is possible to design better plans, but nobody promised that planning will be easier to do.

PROSPECTS FOR TRADE WITH BRITAIN EVALUATED

Warsaw POLITYKA in Polish No 42, 20 Oct 84 p 19

[Interview with Lord Shackleton, chairman of the East European Trade Council, by Michal Jaranowski; date and place not given]

[Text]

Question: This is your first visit to Poland in five years. What expectations have you brought with you?

Answer: I am deeply convinced that further improvement in trade between our countries is imminent. I say further improvement because it is precisely with Poland that we have been recording the biggest trade increases. I do not consider the Soviet Union because of its incomparable potential and needs, and because British imports include one very special item. I mean oil and oil products for which the Soviets received 455 million pounds last year. But let us look at trade with Poland in 1981; our companies bought Polish goods for 132 million pounds, in 1982 for 152 million pounds, and last year for 177 million pounds. British exports amounted, respectively, to 175, 133 and 152 million pounds. I have here what I believe are data showing developments in the first two quarters of this year and they are very remarkable. Polish purchases in the UK appear to have reached 85.3 million pounds while Polish exports as much as 140.9 million pounds. These are our estimates. Yours may perhaps be slightly different, such things do happen, but in any event this is a very high rate of growth. By our own estimates, Poland will have achieved a 100 million dollar trade surplus with Britain by the end of this year.

I also hope that some matters which have been dragging on for a long time now are about to be successfully finalized. As far as I know, agreement has been reached on paying for the PVC factory in Wloclawek. The settlement is satisfactory to both sides. The builders are finishing their jobs, production of some goods is under way, and it is now

up to the Polish side to get production moving at full steam, or, more precisely it depends on supplies of indispensable raw materials.

Q.: Is Wloclawek the biggest British contract in Poland?

A.: It's among the biggest deals British companies ever struck in Eastern Europe. Wloclawek is the biggest PVC factory on the continent. It's been a huge undertaking, because construction work began in green fields. As concerns the LOT terminal, the Polish investor and the Cementation company have also worked out a compromise. I don't want to dwell on details - we are steering into clear waters. Let me say a few more words to justify my optimism. Above all, we are witnessing a revival of interest in trade with Poland in Britain, which - if you pardon my immodesty - our Council has helped to bring about. The climate is propitious, as you can see from the circumstance that the joint inter-government commission which usually meets once a year, but last met in 1981, is again coming together in Warsaw this autumn. The London Chamber of Commerce is planning to send its mission to Poland several months later.

Q.: Just which areas do you think offer the best possibilities for bilateral cooperation?

A.: I think the pharmaceutical industry is a good example. The Polish side has implied it would welcome cooperation in this domain. I hope Glaxo and Ethicon, two corporations which by all accounts are among the world's top in this industry, will open their Warsaw offices this autumn. The Wellcome Foundation has been very efficient in organizing symposia and it has good relations with its Polish partners. You know, there are no chances yet for big projects of the kind we talked about. But there are chances for cooperation between small and medium-sized firms, which has many advantages even though effects are less spectacular. We have been studying Poland's economic plans and I believe that agriculture along with its rear base appears as an area for potential cooperation. I also have in mind electronics, medicine, the aviation industry, but especially mining. Not only sales of machines are possible but also cooperation in production, cooperation in technology. My own company, the Rio Tinto-Zinc Corporation, in which I used to be board president and deputy chairman and now am in charge of RTZ's investment company, is interested precisely in this kind of cooperation. We are looking forward to the Polish side's response. I believe the technological experience one of the world's leading industrial groups has is an

attraction. For its part, the RTZ is willing to acquaint itself with Polish achievements.

Q.: Since we are talking of advantages for both sides, I think it's by all means relevant to mention the problem of credits. Realistically, it is difficult to imagine any substantial rather than trickling growth of trade without letting Poland into the credit market. What's your opinion on this?

A.: A great deal depends on the outcome of negotiations with the Club of Paris. Sooner or later a compromise will have to be found. All I can do is to express the hope it will be sooner. We are aware of the scale of difficulties Poland is facing. Interesting steps have been taken, I mean the economic reforms. We have observed a great deal of determination in pushing them through. But nothing must be expected to work too soon.

As for Britain, goodwill for cooperation exists everywhere, including the Government. The matter of credits is largely one of bankers. Governments create the climate, the conditions, but it is bankers that decide about financial deals. How will things go? I do wish new credits are granted once payoff terms have been established. I would entertain more hopes with regard to commercial banks. The 300 million dollars in revolving credits they have already granted Poland does not resolve the problem although it is certainly helpful. The rules of the game are that credits are part of trade. But then the size of the present debt is also a problem to Poland. Future credits must remain in a certain proportion to this sum.

Q.: But today's rules of the game are not too clear because international trade has become pervaded with politics. Sanctions are one example of a politically motivated barrier.

A.: You're right in pointing out this. Let me say something about this. This is of course my own view but it is firmly supported by a majority of the Council. We're an independent organization even though we're financed by the Government. Sanctions are no good to anyone, all they effect are losses. I came up with this view in public, sending a letter to the Times. It's time to put an end to all economic sanctions.

Let me add that I believe it's extremely important for Europe as a whole to cooperate more closely, especially in technology. We're facing a technology challenge from Japan,

South Korea, America. This is true above all in microbiology and electronics.

Q.: Considering latest decisions by COCOM on limiting exports of modern technology to socialist countries, your demand seems as right as it is excessively optimistic. The termination of contracts for deliveries of Canadian computer-controlled telephone exchanges or of Belgian machine tools confirms these doubts.

A.: You can easily slip into exaggeration on this matter. I can cite quite different examples, and Mr Cooper here, who has been with Shell for 50 years now, will most certainly confirm them. Shell used to do business with the East, and is doing so now, with deals involving latest technologies. Not a single time did it happen that COCOM decisions have resulted in a contract being cancelled. It's not that there is any banned-exports list, only that in individual cases companies have to apply for export licenses. The rare, very rare cases in which applications are refused have a disastrous psychological effect, but I'm very remote from the view that they can imperil East-West trade.

Q.: How then do things look like on the British side? Are there also barriers of psychological nature?

A.: In a way, yes. Many companies big and small still view Eastern Europe as too difficult a market or one that rewards patience only after a long period of perseverance. We encourage our businessmen to show more pluck. In other countries they think in a different manner. They are more flexible as well as more aggressive. Look at West Germany. They are the number-one partners to every East European country.

Q.: Why this wariness on the part of British businessmen?

A.: Maybe they believe that since the Comecon countries are centrally planned economies, this necessarily leaves only limited room for enterprise. It is our Council's duty to try to persuade those who share this belief that limitations are within reasonable bounds and allow for quite substantial trade. Last year British exports to East European countries went up 10%, or more than the aggregate rate for all of our exports. But don't forget the base for these estimates. While total British exports amount to 60.5 billion pounds, only one billion pounds worth of goods go to Eastern Europe.

Another hindrance is certainly the region's foreign debt. In 1981 it was 92 billion dollars, a year later 86.4 billion, and continues to show a downward trend. That is, signs are propitious. All cash liabilities come in as a rule on time and, as we see it, in 1981-83 the Soviet Union increased its trade surplus from 3 to 7 billion dollars, whereas other socialist countries - mainly by tough import cuts - changed their 4 billion dollar trade deficit into a 1.5 billion surplus.

Q.: Just which areas would you name as offering the best prospects for enhancing business?

A.: Every state has of course its own specific situation, but I believe all Comecon countries are facing more or less the same problems. They are agriculture, energy in the broad sense, and labor productivity. Logically speaking, it is in these three sectors that broad possibilities for cooperation are opening. While no data on invisible UK exports are available, it seems that sales of licenses and safeguards for business are again a subject of our partners' active interest. As for organization and management, while there are many signs that East European countries attach more and more significance to Western experiences, it will be some time yet before this kind of services can be exported on a large scale.

One more point. The traditional mode of thinking with us, which presupposed state monopoly of trade in socialist countries, assumed that everything must have proportions appropriate to this and so smaller firms have no place in Eastern Europe. And thus, there is no place there for their foreign partners. Perhaps this was so in the past, but today we witness quite different currents. Especially in Hungary and Poland. Emphasis is laid on smaller firms and foreign trade licenses are being granted to producers. In October last year the Soviet Union organized together with us, the British-Soviet Trade Chamber and the London Chamber of Commerce and Industry a conference for smaller companies in order to get them interested in cooperation.

Q.: You are member of the Privy Council which used to be the top source of executive power in the times of absolute monarchy in Britain. With the development of the Cabinet, the Privy Council's role changed. It became an advisory body to the monarch and the Government. How does the Privy Council work? To what extent does Mrs Thatcher accept its recommendations?

A.: I must disappoint you. The Privy Council is, shall I say, a historical body which fits well into the entire British tradition. It's like the Queen's address at the opening of Parliament which is written by the Prime Minister and only delivered by the Queen. Not even Britons themselves always comprehend this structure. The Privy Council never convenes as a council with the one exception when a new monarch ascends to the throne. He appoints his Privy Counsellors which is a particular distinction. The Privy Council includes Africans, people of different races who have their merits for the British Commonwealth. So today you have only Privy Counsellors and that's all. In practice, this term means only that if the opposition wants to talk with the Government on the Privy Council's terms, it wants confidential talks.

There's the Cabinet, and that's because it has sufficient support in the House of Commons and holds executive power. I couldn't see what possible use some other body of similar functions could have. Competences would then become very fluid.

Polityka: Thank you for the interview.

CSO: 2600/232

SEJM REFORM DEBATE ANALYZED

Warsaw ZYCIE GOSPODARCZE in Polish No 43, 21 Oct 84 p 8

[Article by Tomasz Jezioranski: "Talking About the Economic Reform"]

[Text] In a way, one victim the joint discussion over a number of topics at the last Sejm meeting claimed was the reform. I am saying this because despite the fact that the word "reform" was used all the time, the really important thing is not how much was said but what was said and how.

The reform was mentioned most often in the context of general economic considerations relating to the Central Annual Plan, the saving and the anti-inflation programs. It was therefore referred to as a system of management and was related to economic policy.

As a matter of fact, every advocate of the reform should be very happy about such an approach. It showed clearly that the deputies already regard the reform as a perfectly natural component of the functioning of the economy. However, the joy is spoilt by the fact that in its present shape the reform is still a long way from its target appearance and that for the time being interim arrangements predominate, if not in terms of number then certainly in terms of gravity.

In this context, it is very easy to commit at first semantic and next also substantive mistakes, which consist in blaming the reform for various inconveniences, unfulfilled hopes and serious errors and distortions, whereas in reality the reform, in the shape envisaged by the original reform program, has little to do with these shortcomings.

While pointing to the weak points in the reform, the deputies often mentioned technological progress and investment programs, arguing that precisely in these domains the reform virtually does not work at all. In reality, both are excellent examples of misunderstandings arising in connection with the departure from the originally intended shape of the reform. How can the reform be blamed for the passive attitude toward innovation when the principle of self-financing is not applied to units whose statutory duty is to promote progress?

On the other hand, how can enterprises be blamed for not showing enough thirst for innovation when the rules of the game keep changing in a fundamental

manner, in tune with short-term needs, i.e. all the time, which means that somebody who tried to look farther ahead would be the first candidate for going broke?

Or how can it be charged that the reform not only did not tidy up investment activity but actually caused even more chaos in it when virtually all the components of this chaos are outside the influence of the reform? After all, the projects on which decisions are made at the central level account for almost 42 percent of all investment outlays (calculated on the basis of cost estimates) while genuine enterprise-financed projects represent a mere 12 percent of the figure. Or let us consider the fact that the three branches controlled by the Ministry of Mining and Energy (coal mining, fuels and the power-generating industry), which are exempted from the rules of the reform, account for as much as 51 percent of all industrial investment outlays.

As for the problem of wages, which was given as an illustration of a thesis about the reform's inefficiency in dealing with inflation, the critics also tend to forget about some important issues. First of all, they overlook the fact that the law on wages was passed with a two-year delay, and second--and more important--that the actual wages, their proportions and structure are not the outcome of the operation of the systemic mechanisms of the reform but of a multitude of concessions awarded by sectoral economic ministries.

I think these examples are enough to show that the time still has not come for talking about the reform in obvious terms or for holding it responsible for the effects obtained. We are still at a stage where we should rather speak about the reform as a grand target that some day we have to reach whether we want it or not because it will not be possible to get out of the crisis otherwise. It is only a question of time and price.

So--are we approaching the target or not? Different answers are given, depending on what criteria of evaluation one adopts.

The report which was submitted to the deputies and which was published in part clearly answers this question in the affirmative: in 1983 the reform was again brought nearer to the shape defined in the original document. This view was upheld by Minister Wladyslaw Baka in his Sejm speech. A similar opinion was voiced by Professor Alojzy Melich, who introduced the report to the house and the resolution adopted by the Sejm is in a similar spirit. However, this conclusion is arrived at through an appraisal from the angle of the effects, but not of the similarity of the prototype to the model. This logic is convincing, but on one condition: namely, that these effects must be absolutely indisputable.

A majority of the deputies fully agreed with the report insofar as the reform definitely contributed to the attainment of economic progress and in particular to the unexpectedly good results in terms of efficiency. However, the problem is not only the trouble with weighing this contribution, which is obvious, but also the fact that the efficiency achievements are not so obvious at all.

I voiced my misgivings about the improvement of efficiency in the previous issue of ZYCIE GOSPODARCZE while presenting the report on the implementation of the economies program. To some extent, my doubts were strengthened by the statement presented by NIK chairman, General Tadeusz Hupalowski. While he did not expressly say that there has been no progress in efficiency at all, in the context of his speech one is tempted to ask: How can things look so rosy on the national scale when they look so bad at enterprise level?

Another frequently quoted evidence of efficiency growth is the increased productivity. The report says that in industry alone, productivity increased by 7.8 percent in 1983, while Professor Baka added in his Sejm address that during the first three quarters of 1984 productivity in industry was already 4 percent higher (in real time) than in 1979, which is the best year on record, while in comparable worktime the increase was a staggering 7.5 percent.

However, this index is not unquestionable either. It is known that the whole growth was attained through increased labor intensity, which is a simple reserve of growth that can produce effects in the short run. But this is not what the reform is about--at least not the main goal of it.

It is also legitimate to question the claim that the reform has resulted in decreased demand for imported components and materials, which Prof. Baka claims to be a proof of the operation of adaptational mechanisms in economy. The adaptation is a fact, however, this is not a result of the introduction of the reform but of the dearth of hard currency and brutal cuts in imports. This adaptability would have been genuine, had it not been for the fact that NIK audits taken in 1983 demonstrated "insufficient efficiency of action toward limiting imports and examples of mismanagement with regard to the purchase, turnover and use of imported materials" (see KONTROLA PANSTWOWA No 4/1984, p 80). The real effects of such a "drop" in the demand for imported components are felt in the form of the shortage of many products and, even more so, in the alarming deterioration of quality. This kind of negative adaptability is nothing new in the Polish economy.

Incidentally, this deterioration of product quality is not only the result of the shameful side of reduced imports but also of raising productivity through the intensification of the pace of work and of the pressure for reports demonstrating a drop in materials consumption. Quality happens to be a pretty good mirror of the system of management. However, we persist in refusing to acknowledge this fact and seek to make quality an autonomous characteristic that can be arrived at through restrictions or through greater complication of the system.

In reality, quality is always born on the market, often in the heat of competition. Meanwhile, there is still no market in Poland (in such enclaves as the greengroceries market, there is also quality), but we, instead of creating competition or at least preserving what little has remained of it, drop the draft of the anti-monopolies law into a bottomless desk drawer and watch meekly the centralistic offensive of industrial ministries.

Another frequently used yardstick is that of human postures. It is maintained that the reform is bringing about change in the ways of thinking, that it is beginning to teach people to count and rely on efficiency criteria in economic decision-making, or that it generates a spirit of enterprise in people.

Unquestionably, if one looked hard, he could find examples confirming these suggestions also outside the private sector. But are we authorized to generalize on such isolated cases? Do the multiplying plans to concentrate management, coming from above, rely on efficiency calculus in any measure? Is it possible to speak about the reform being used for the benefit of local communities when NIK audits reveal that in 21 voivodships which were subjected to inspections two thirds of the idle economic premises have not been put to any use?

And what can be said about the emergence of the spirit of enterprise? The NIK chairman says that autonomous production teams [for turning in extra production outside regular working hours using the factory machines and materials--ed.] were set up in only 10 percent of the enterprises in which suitable conditions for the establishment of such teams existed. This is also some indicator. However, a more important indicator of the efficiency of the reform would be the growth of enterprising on the part of socialist enterprises and organizers of public life rather than of private citizens working for their own benefit. This kind of enterprise did not need the reform to manifest itself.

But that socialist enterprise also seems to be missing. Why? Don't the people want to earn money? Impossible. Maybe it would be worthwhile to ponder if the objective conditions necessary for the development of such enterprise are not missing. Aren't we subconsciously taking myths for reality as we complain about the underdevelopment of that spirit of enterprise as we think that, since the reform was supposed to let loose an avalanche of enterprise, and the reform is a fact, then also enterprise must be there. If it has to be, then why isn't it?

While pondering such problems, it is sometimes worth it to reach for the source, i.e., the original reform program, a document which formally is still in force. One of its, so to say, ideological foundations was the vision of an economy working on the basis of a system of laws formulated along the principle that everything is permitted unless it is expressly forbidden.

As for the laws, they are there and for the most part they are good. However, over the three years which passed since their adoption, they have been overgrown with a thick coat of acts of a lower order, not necessarily ones whose issuing was required by the law. Already now the tangle is so impenetrable that not only the average citizen but even an expert specially hired to be well versed with the legal state of the reform has trouble finding his way through it.

From the legislative point of view, we are almost back at the starting point, having covered one short lap. The regulations--a multitude of them--including bans, orders, exceptions and rules, often mutually contradictory, although

that was unintended--are now tying the hands of anybody who would like to treat seriously the principle of self-financing and the principle of autonomy of a socialist enterprise, whether state-owned or a cooperative one.

Therefore it is premature to measure the effects of the reform, although this signifies a risk not so much to the reform as to the shape of the reform that we have come to know. This was confirmed by a rather characteristic feature of the recent parliamentary debate. If one carefully studied the deputies' statements, not only those made during the plenary debate but also during the preceding committee meetings, he would be authorized to claim that in the currently binding system of the functioning of the economy, there is not a single element that would be exempt from harsh criticism. As a result, both the deputy introducing the report and the final resolution said that the reform was successfully passing its test but then immediately went on to list the elements of the reform that have to be radically changed to become effective.

Deputy Melich listed the motivational systems, the system of prices, subsidies, the mechanisms stimulating efficiency and innovation, investments, financial and credit policies, the operation of the central economic administration. The resolution contains a similar--if somewhat longer--list of demands, although they are formulated differently. As a matter of fact, this is a complete set, especially when it is taken into account that the deputies were also critical of the reform provisions governing employment, exports, etc.

Professor Baka debated some of these demands but it is not so important who will win a verbal argument over the value of a given instrument. After all, such a huge package of demands for change becomes a totally new quality. From this follows the conclusion that it is time to consider whether in the noble striving to optimize the individual mechanisms we have not lost somewhere the main thread without which there is no system but only a loose set of tools. In this context it is worth pondering over the view of the cautious Deputy Melich, according to whom the principles of the reform are good, only the methods leave much to be desired, and the reflexion of Deputy Stanislaw Rostworowski, who observed that for the last three years market equilibrium has been getting stronger in Poland, but so has the rationing system.

It appears that both remarks, the one made very much in earnest and the other, slightly ironical one, hold the key to success in the struggle against the crisis. Now that the work on the plan for the years 1986-1990 is gathering momentum, the time is right to ask the straightforward question of how far we have got with the reform. This question was not asked in the Sejm, but the whole discussion indicated that many speakers had it at the tip of their tongues.

MORE EFFORT URGED TO CAPTURE LARGER THIRD WORLD MARKET SHARE

Warsaw PRZEGLAD TECHNICZNY in Polish No 39, 23 Sep 84 & No 40, 30 Sep 84

[Article by Marek Konieczny: "What Poland Has In Store For The Third World"]

[No 39, 23 Sep 84 pp 8-9]

[Excerpts] The Third World, which is firmly rooted in the capitalist economy, is the scene of cut-throat competition between Eastern and Western companies. The weapons in this fight include credits mostly long-term and low-interest loans guaranteed by governments, product quality, on-schedule deliveries, sales and service networks, commercial and cultural traditions, and, ultimately, also the bribes paid to those who make decisions. In each of these events, Poland is far below the world's top ten competitors. Poland has been fighting its war with virtually a single weapon, namely prices.

The Third World has for a long time been demanding a new model for North-South trade. It has already scored some successes so that at present the glassbeads-for-raw-materials model definitely belongs to the past. As a result of this, incredible though this may sound, Poland has been increasingly a raw-materials base for Third World countries, in that it offers its coal, cement and sulphur and tries hard to market its engineering products even though the latter even now account for more than 50 percent of Poland's exports to the Third World. Apart from Comecon countries, the Third World is more and more truly the only area in which Poland can hope to market its machines in the future, which is part of the price it has to pay for falling back in the technology race. Consequently, Poland's exports offer to the Third World includes that old-standing bid of complete fuel-and-energy projects, products of the chemical and clothing-and-footwear industries, machines and appliances, building and other services, and what are called other goods accounting for 40 percent of Polish exports which cannot be sold elsewhere.

Imports, which amount to some 50 percent of total exports value, have been embracing more and more "nontraditional" goods such as manufactured products or foods from countries long known as oil exporters under clearing-type and barter trade deals. Imports of such goods are often a precondition for getting Polish goods into those markets.

Recent years have seen the fall of the long-standing myth about the allegedly complementary character of the economies of Poland and those of developing

countries, a claim which only camouflaged the quasi-colonial structure of trade according to the machines-for-raw-materials model. Competition for Polish producers has meanwhile grown strong even in Third World countries, so much so that some of those new producers have already disappeared behind technological curves Poland is yet to negotiate.

Lastly, you have got to apply very special ways and endeavors when trying to sell your goods in the Third World. The climate there is generally unfavorable, the markets there leave much to be desired, no extensive sales networks exist, yet nonetheless you often have to give special wrappings to your goods and to run about a lot if you want to get rid of your goods.

All this used to turn Polish foreign-trade firms off the idea of regarding the Third World as the pupil of their eye. Why should they anyway, they wondered, if their extra exertions entailed no extra rewards?

After this necessarily succinct and superficial presentation of internal and external conditions for Poland's trade and economic cooperation with the Third World, let us now see what real chances Poland has for switching its foreign trade over to developing countries, a move which of late has repeatedly been urged from various high-placed rostrums. What are the limits to possible trade expansion, and what conditions must be fulfilled to reach those limits? What a philosophy should be followed for this word to become flesh?

Developing countries deserve close attention for many reasons. One major argument of political significance is that Third World countries stayed calm when the West reacted hysterically to the stormy events in Poland during the last four years. This is something like a safeguard of economic security, a guarantee on the part of this group of countries that they will not resort to the economic weapon in the future whenever a difference of opinion, also on political matters, should arise.

As said before, developing countries are becoming the only potential market for many Polish industrial goods, mainly machines, appliances, and building services, which have been less and less competitive in Western markets.

Poland runs at present roughly a 3-billion-dollar debt to the Third World. The lion's share of this debt belongs to Brazil, but the promotion of Polish exports in all creditor countries is now virtually the only form of paying off our obligations.

Because of the high surplus of exports over imports, Poland's trade with developing countries is a major source of convertible currency, even though there is an unmistakable link between the volume of imports and our ability to market Polish goods in the respective countries. For example, when in a bid to cut its imports spending a few years ago Poland stopped buying Ecuadorian bananas, Ecuadorian orders for Polish goods fell drastically. Last but not least, Poland is dependent on imported raw materials, and these--even though some people would disagree--are cheaper to buy directly from Third World sellers than in West European commodity markets.

These, then, are arguments in favor of Poland's "reorientation" in foreign trade toward the Third World. What speaks against it?

First and foremost, Third World countries are credit-worthy to a limited extent only. Huge foreign debts, economic depression, falling exports of raw materials--all these induce even rich oil countries to demand deliveries on credit, to delay payments, and to reduce purchases.

Second, trade with the Third World is more expensive and requires more work than trade with Western Europe.

Third, Polish foreign-trade firms often do not have specialists on their payrolls who could carry on trade in those countries, while experienced sellers are often denied a chance to use their skills.

When the above arguments for and against expanding trade with the Third World are weighed against one another, the case "for" it appears absolutely preponderant.

Let us now take a look at the trends in Poland's recent trade with developing countries. The Third World's share in Polish exports in 1983 was 12.8 percent, or 1 percent less than the year before. The downward trend continued in the first half of this year so that this share fell another 1 percent, while the number of contracts signed for the latter half gives little hope for stalling this decline.

After years of sustained growth, exports to the Third World, which used to grow more rapidly than exports to Western countries, slackened so that in 1983 they were only 3.3 percent over the 1982 level. The reason for this is evident. After a period of consistent decline of Poland's total exports in 1981-82, which involved above all sales to advanced capitalist countries while those to developing countries kept going on, statistics could not but had to envisage a rapid growth of the Third World's share in Poland's total exports.

At present, as trade relations with the West are being rebuilt, trade with developing countries is regaining its place in Poland's foreign-trade pattern, which accounts for the drop in its share. Besides, the drop in the Third World's share in Poland's exports was partly caused by the decline, in absolute terms, of exports of building services, chemicals clothes and footwear and of the mineral industry's products.

As for imports, in 1983 Poland bought only 8 percent of its imported goods in developing countries. In 1981-82, these imports plummeted, chiefly because oil imports were cut. Occasional oil purchases, however small the quantities involved may have been promptly found expression in abrupt surges of the Third World's share in Poland's total imports. The decline in imports from developing countries, which began in 1981-82, is continuing, and if the picture-distorting oil imports are disagreed those imports appear to have dropped in 1983 some 8 percent below the 1982 level. It should be remembered that some imports from developing countries are made via West European companies.

What, then, holds back the growth to trade with the developing countries? With all the limitations which were mentioned before, two attitudes are displayed in this respect. One, which can be described as optimistically realistic, provides for the maintenance of the Third World share in Poland's total exports at 13-15 percent by the year 1990. The other one, which I call the wishful-thinking school, hopes for this share to go up to 18-20 percent. Whatever speculations you engage in when pondering possible increases of the Third World's share of Polish exports, you must never forget that developing countries belong to what is called payments zone II, which means that settlements with them have to be made in convertible currencies. Accordingly, if you make the very likely assumption that trade with socialist countries will continue at a constant rate roughly at its present level, then the distribution pattern for export goods and convertible currency revenue from developing as distinct from Western countries remains the only area in which Poland can still hope to retain some room for maneuver.

A general shift toward developing countries, especially if the latter [i.e. more optimistic] version of exports growth is adopted, is highly unlikely because Poland's chances for recapturing any considerable slice of this group of markets seem very slim. Moreover, should Poland divert a substantial amount of its export goods from Western to developing countries, it would largely spoil its chances for paying off its debt to the West because trade with Third World countries is a very unlikely source of major convertible-currency gains. This is due to these countries' determination to balance exports with imports and to the necessity of selling Polish investment goods to those countries on credit.

This shows that the goal of preserving the Third World's share in Poland's total exports at the 1982 level of nearly 14 percent is really a bold bid which will require great effort on our part.

[No 40, 30 Sep 84 p 29]

[Text] In the 1970s, the Government took to the problem of developing cooperation with the Third World twice, in 1973 and 1978. The two papers drawn up then were based upon similar philosophies. Generally speaking, they implied that Polish exports to the Third World should be adjusted to the outsized import needs of Poland's "dynamically growing economy." While import needs were defined by extrapolating the upward trend in the consumption of raw materials, export plans were based on a belief that the boom in developing countries would go on, that Poland can keep enhancing its debt to these countries, and that the amount of exports goods turned out by Polish industries propped by Western licenses and credits would keep growing.

Nor should we forget that those who masterminded our export expansion into Third World markets cherished some noneconomic ambitions. Political, scientific, cultural and tourist cooperation were all to flourish.

The early 1980s were a period of sobering up also in this respect. Imports were cut drastically, exports stumbled over the barrier of depression and a dramatic drop in developing countries' oil revenues. Realizing the need for a new strategy for cooperation with the Third World, the Government made

another attempt in June 1983 to define goals and ways for this cooperation. What was new in this decision?

First of all, it was made on the basis of a realistic assessment of internal and external conditions some of which I mentioned before.

Second, the overriding philosophy was to achieve a maximization of Polish exports, with imports being relegated to secondary importance.

Third, it was recognized that the desired goals can only be achieved if trade and economic cooperation are controlled via economic rather than administrative mechanisms.

Fourth, it was recognized that trade and economic cooperation with that region cannot be developed without launching undertakings of noneconomic nature, i.e. promotion, work with graduates of Polish colleges who come from Third World countries, as well as actions in the way of aid work.

In its future-oriented part, the Government paper justly urges a restructuring of Poland's industry with a view to making it more distinctly export-oriented as this would enable Polish producers to respond more readily to Third World buyers' import needs. This is an overwhelming task, with ramifications going far behind trade and economic cooperation with developing countries alone. The Planning Commission, which has been charged with this job, hardly seems capable of really pushing this bid through. Although individual ministries have already drawn up their restructuring programs, industries which already now are exporting their output surpluses seem singularly unimpressed by calls for a restructuring. This gives us right from the beginning a hard nut to crack.

With its firm belief in the necessity to use economic instruments and mechanisms to promote exports to Third World markets, the Government adopted a package of decisions which constitute something like a system of economic inducements for enterprises to expand trade with Third World partners. The first thing the Government had to do was to pick the countries which should be embraced by preferences in trade with Poland. The resulting list includes 16 countries which take some 80 percent of Polish exports to developing countries. Every one of these countries belongs to one of three groups.

The first group, composed of Iraq, Libya, Iran, Algeria and Nigeria, includes oil countries which, despite their current financial difficulties, are likely to remain in the future the main markets for Polish investment goods in the Third World. This group of countries accounts for 40 percent of Poland's exports to the Third World, and, except for Iran with which Poland has a clearing agreement by which the partners are obliged to balance their exports with imports, they are the chief source of convertible currency surpluses in trade with Third World countries.

Group two includes Brazil, India, Turkey, Colombia and Egypt. These countries have considerable industrial potentials at disposal, interesting export offers and considerable absorptive capacity for imports. Some 20 percent of

Polish exports to Third World countries go to these countries while 60 percent of Poland's total imports from the Third World come from this group of countries. The considerable imbalance in trade with this group suggests that efforts must be undertaken to maximize Polish exports.

The last, third group of countries to enjoy preferential treatment includes Morocco, Argentina and Pakistan. They are countries of medium-sized economic potentials with which Poland bases its trade on the formula "bulk goods in return for bulk goods plus investment goods." Poland imports from these countries phosphate rock, animal feeds, foodstuffs, hides, cotton, and pays these off with deliveries of sulphur, coal, cement, carbamide, timber as well as ships, marine equipment and power-generating equipment.

The range of incentives for expanding trade with the Third World is quite broad. For example, the Foreign Trade Minister received Zl 400 million at disposal for increasing rewards for successes in expanding exports to preferential Third World countries.

As mentioned before, many developing countries make imports from Poland--especially of investment goods--contingent on simultaneous imports by Poland of their own nontraditional products, mostly consumer goods. Accordingly, a special transaction-financing fund was created at the Foreign Trade Ministry for financing the purchase of goods on which developing countries make contingent their imports from Poland.

Marketing Polish goods is more costly in developing countries than, say, in Western Europe. As a rule, travel expenses are higher, travels themselves last longer, and backhanders for local officials or agents may be necessary. Accordingly, foreign-trade firms planning to launch more vigorous promotion actions in developing countries were granted the right to apply for higher allowance rates on their order acquisition funds.

Polish trade agents on peregrinations overseas in search of new orders were not forgotten, either. Limitation of convertible currency for air tickets bought from foreign airlines was lifted, and the Finance Minister was obliged to review standards for travel expenses in preferred developing countries year by year.

Moreover, in view of the effects of staff-reducing actions made in the early 1980s in Polish commercial and trade representations overseas, a dozen-odd new employees were appointed to take jobs with those centers and new such centers are about to be opened.

Credits for the promotion of investment goods exports to developing countries was a next very significant matter the Government had to face. It is commonly known that if the goods offered are more or less of the same quality and tag more or less the same prices, then credits terms are a major weapon in the competition for orders from developing countries.

While rich Western companies are in a position to offer very favorable terms for credits to importers even up to 30 years at a few percent interest, the

debt-ridden Poland can really not stand up against this competition. But, faced with the alternative of either to sell nothing or to sell on credit Poland decided to choose the latter and permitted its foreign-trade companies to offer investment projects for credits even maturing after ten years within the limits of a total sum earmarked every year for credit sales to payments II zone countries.

One difficult matter, on account of its alleged social sensitiveness, is the problem of aid to developing countries. In my view, if we talked candidly about Poland's aid to developing countries, which actually amounts to several tens of a percent of what rumor has about it, we could clean up the atmosphere about this matter. Such data used to be published by most countries of the world, including almost all socialist countries.

As is known, developing countries want the advanced countries--and Poland is, whether or not it so wishes, classed as one--the equivalent of 0.7 percent of their respective national incomes in aid. If Poland risked meeting this demand, it would have to transfer goods worth some Zl 40 billion or so year in year out. The implementing regulations to the June 1983 Government decision on economic cooperation with developing countries are a pioneering attempt to separate trade and economic cooperation from "aid" actions. An upper limit of aid our country is capable of granting now was set and a fund was created for financing whatever aid programs the Government may want to decide. This fund may also be used to back actions launched by social and political organizations, such as this year's aid for Nicaragua organized by the Polish Committee for Solidarity with the People's of Asia, Africa and Latin America. But this time the administrators did not succeed in embracing all forms and kinds of aid to Third World countries into a single system. Separate funds continue to be run for scholarships, UNIDO contributions, and multilateral Comecon projects in the Third World. These matters are to be put in order during work on the five-year plan for 1986-90.

Nearly 10,000 people from developing countries have graduated from higher schools, vocational training schools and special courses in postwar Poland. This is an enormous group of people who often command considerable influence in their countries and who can become ambassadors of cooperation with Poland. But the inconsistent system of educating and contacting foreign graduates has so far largely thwarted these possibilities. To be true, colleges are obliged to maintain contacts to their graduates, i.e. to run address books and supply them with materials on request, but in actual practice the overstrained and impecunious colleges can do little, to put it mildly.

This induced the Government to urge the foundation at the Polish Language Study Center in Lodz of a national center of information on foreign students. Its duties would roughly include collecting all information on foreign students, maintaining permanent contacts to them during their studies in Poland and afterwards, controlling college actions in this respect, and lending information on graduates to economic and political administrators with a view to enlisting their help in promoting cooperation with Poland. This seems to

be a right idea, especially as it has already stood its test and is being used both in the East and the West to the benefit of the countries concerned.

Instead of a conclusion, let me invoke the spirit of the prewar Polish Maritime and Colonial League which in 1939 warned that "Year in year out the Polish economy loses hundreds of millions of zloty only because it foregoes the establishment of broad enough relations with countries that hold the raw materials and colonial goods we need." Today, 45 years later, this is as true as ever.

CSO: 2600/274

GOVERNMENT REPORT ON INFLATION CONTROL DRIVE CRITIQUED

Warsaw ZYCIE GOSPODARCZE in Polish No 44, Oct 84 pp 1, 6

[Article by Tomasz Jezioranski: "Anti-Inflationary Meanders"]

[Text] "The introduction into practice of the implementing scenario for the Government anti-inflationary program was determined by the highly time-consuming nature of interministerial coordination and consultation and by the labor-consuming character of major legislative processes in the field." This is what the NIK [Central Board of Inspection] President, Gen. Tadeusz Hupalowski told the Sejm at its latest plenary session [on September 10]. In plain language, this means that in 1983 the fight against inflation was waged mainly on clerical desks.

The authors themselves of the report on the implementation of the anti-inflationary program, submitted to the Sejm, do not write that the program bore fruit but that "work on program implementation contributed to the modification of many principles and mechanisms of the functioning of the economy."

This is true, as amply confirmed by the documentation attached to the report. More than 30 percent of the latter is taken by lists of related legal regulations. They are included in three parts. Part A, devoted to measures aimed at stimulating consumer-market production, carries 20 legal regulations. In part B-- on tight money policy--there are 18 of them, and 25 ones in part C on fiscal policy towards the population.

In all, the anti-inflationary legislative production totaled 63 legal acts-- from Sejm laws down to ministerial decisions. The achievement is impressive. But the effectiveness of fight against inflation depends on real processes-- which, naturally, are to some extent connected with legislative work, although this connection is neither direct nor automatic.

The absence of direct link between the inflation of law and the suppression of inflation was well reflected in the course of the parliamentary debate. Not caring for the richness of appendices, the deputies complained that inflation was hitting as hard as before. On behalf of the Government, an attempt at polemic was taken by Minister Wladyslaw Baka who expressed an opinion that the new pricing mechanisms were effective. This is proved, he said, by the tangible slowdown in the rate of price increase from 21 percent in 1983 to

13.6 percent in eight months of this year the Central Annual Plan provides for the 15-16 percent figure .

Did these arguments convince the deputies? It is hard to say, since Minister Baka's speech was made at the end of the debate. But the fact is that the "pricing" theme was only one--and hardly the most stressed--of those taken up during the whole debate on inflation. At least equal attention was devoted by the MPs to structural problems and investments, which reflects a significant evolution of the views held by the Chamber. In 1982 and 1983, the only cause of inflation was seen in the frivolity of enterprises in the field of wages and prices.

Fragile Supply

The wage-prices chain is but a final expression of inflationary processes. Interference in this chain is, of course, important but should not be over-estimated of which more later , just as shouldn't be any kind of treatment of external symptoms rather than the real causes.

It is usually believed that the key to fighting inflation lies in consumer-production growth. The view is correct, provided however that the cursory notion involved in it is rightly understood. The essence of this notion was explained by the NIK President who said that the target was of course increase in supply, but "especially the increase in the share of consumer-market production in total industrial output." This single word points to the crucial problem of structural change.

The report of the Government Planning Commission lists the effects of measures aimed at boosting the consumer-market production. First come the 786 agreements signed with light-industry enterprises in the second half of last year and providing for extra production for the consumer market. The value of this production totaled Zl 71 billion, with extra wage costs at Zl 5.8 billion [FAZ relief]. The results are fine, even if one had doubts whether similar effects should be obtained by means of extraordinary non-systemic measures and whether it is not the system as such that should be designed with these effects in view.

Next, we have a 12 percent constant-price growth in consumer supplies from the small businesses sector. The bright side is that they totaled Zl 30 billion, or quite a sum. But the obverse is that their share in total consumer-market supplies stood at 7.4 percent last year and 8.1 percent in the first half of 1984, which shows that the modest target of the 1983-1985 National Socio-Economic Plan 10.3 percent will not be met.

Following is a summary review of other effects presented in the report.

* The market effects of launching consumer-oriented side production in 1983 amounted to Zl 0.6 billion, or one-sixteen thousandth percent of total consumer-market deliveries.

* The effects of setting in motion disused facilities were described by the authors of the report as "still insignificant." Indeed, the bank earmarked for this purpose Zl 10 billion, of which Zl 58 million 0.6 percent was drawn upon by seven production cooperatives.

* "Cottage-industry work picked up and expanded at the turn of 1983 and 1984," says the report. But the NIK President says that, according to inspection findings, interest in this kind of work decreased.

* As for the fighting of inflation by means of pensioners' occupational reactivation, the renewed work through official labor exchanges was taken by around six thousand people. "It is only this year that interest in renewed work by retirees may increase," predicts the report.

* Identical words of consolation are said in connection with autonomous production teams at enterprises working on company machinery after hours. It appears that no such team was established last year and just 132 in the first half of 1984. One seems justified in venturing the opinion that the supply-side effects of anti-inflationary measures are very modest. They are incommensurate to the degree of market imbalance and still more to the related legislative effort.

At this moment, I should devote some attention to the already mention list of legal acts. It is very legible and aggregate--but this aggregation produces a distorted picture. The list suggests, for example, that the Council of Ministers' executive order 96-83 concerning the improvement of operating conditions in the consumer services sector for 1983-1985 did manage to halt the regression in these services. Meanwhile, the facts tell a different story. As shown by analyses of the CZSP central union of production cooperatives which also render services, an actual drop in the physical size of services has taken place, considering the price growth in the first half of this year compared to the same period of 1983 and the substantial increase in the share of direct materials in the total value of sales. In the discussed period, nearly 800 cooperative service establishments or 3 percent disappeared with employment falling by almost 8,000 persons of 6 percent.

Another example concerns the Council of Ministers' executive order of December 14, 1983 on autonomous production teams. It is said to have induced fuller utilization of productive potential, while in fact--as mentioned above--this has yet to materialize.

Here ends the supply theme. What strikes one most is perhaps not the misery of effects but rather the absence of a structural approach. The latter was almost totally ignored and, sadly, not only in the report.. In this situation, the deputy reporter, Ryszard Sawko felt it his duty to note that a "too small" progress in changing the structure of industry towards consumer production was one of the subjects most often raised in the course of committee discussions.

Why "too small?" According to statistical data, the 5.9 percent increase in industrial output in 1983 came as a result of 5.3 percent growth in production of consumer goods and 6.2 percent growth in production of producer goods.

From the standpoint of fight against inflation, the structure of industry actually deteriorated in the course of 1983. In the preceding year, the situation was similar.

It is right time now to turn to the subject of investment theme, thrashed out in the course of Sejm discussion--both at committees and the plenary session--as never before. As a result, the issue was accorded a special point in the Sejm resolution--even if enigmatically formulated. It is much better presented in the following passage from Gen. Hupalowski's speech:

"The inflationary processes are fueled by the high proportion of investment projects left over from the 1970s. They absorb materials, construction potential, machines and equipment, and at the same time they create [author's emphasis] vast money incomes of the population and the purchasing power on the market for consumer goods and services."

Investment is a subject frequently taken up by ZYCIE GOSPODARCZE. Most recently it was covered by Janina Kotwicz [ZYCIE GOSPODARCZE No. 42/1984] who delivered, it seems, a final blow on myths over which kind of investment projects poses a burden for the economy and pushes up inflation. There is no need for repeating these opinions. How dangerous in the long run is the development mentioned by the NIK president is visualized by the fact that in industry only 10 percent of investment projects at cost-estimate value serve the expansion of consumer-good production.

This major problem is glossed over in the Planning Commission report on the implementation of the Government anti-inflation program, which instead echoes opinions seeing in enterprises the major culprit behind the overextension and mess in the investment field. But as is not known without any doubt, enterprises' own projects--not counting the quasi-own ones--account for just a small portion of the whole investment program now underway. More than that, the greatest delays are seen at central projects four years on average, with projects delayed for more than four years accounting for 35 percent of all central undertakings. The report, however, proposes financial restrictions to be imposed on enterprise projects, while in fact they should be imposed on quasi-own projects, financed from centralized sectoral funds. The really own projects of enterprises feature the shortest gestation, which is of major importance for the fight against inflation.

The Myth of Warranted Costs

Following the pattern of appendices to the report, let's now move to another vast area of anti-inflationary actions, namely the policy of tight money, and such its segments as prices, costs, taxes, credits, subsidies, and wages. Let's begin with the most exciting element--that of the prices-wages chain.

Among the effects of tight money policy, the report lists "the trimming of the pricing process through, among other measures, changes in the scope of official prices and broader application of the warranted-cost category." A supposedly spectacular proof of this, adduced in the document and elsewhere, is the tangible drop in the rate of price increase.

For starters, let it be reminded that regulations hampering upward price movements have been in force virtually for the second year running. Naturally, it may be claimed that the instruments of reform in the pricing field are effective, proceeding from the fact that the price law allows for various forms of administrative price controls. But the latter have been applied in this country from times immemorial, and they have little in common with the reform.

The administrative blockade of prices can of course be justified by better or worse arguments, but the crux of the matter lies elsewhere. It should be realized that in the economic sense this means that part of inflation has gone underground, changing from an open to suppressed one. And under the cost-plus pricing formula--which has been spread in the glory of success--this is inevitable. There only remains one problem which we know from experience and which was recalled by Deputy Zdzislaw Pukorski who said that artificial suppression of price movements is bound to result from time to time in a price explosion such as the one in 1982, because "there can be no circumventing of the economic laws."

The cost-plus formula will be taken up soon, and for the time being let's ponder over the size of the underwater part of the iceberg of inflation. Exact calculations are lacking, but a closer look at subsidies will give some clues.

This subject, however, is accorded only cursory coverage in the report which says that the authorities "started to implement a program for limiting the extent of product direct subsidies." No illustration of this is provided in the enclosed documentation. Little wonder. As shown by statistical data budgetary reports, the report on reform, actual developments in the field of subsidies were the exact opposite of the above-quoted passage.

Last year, subsidies to enterprises approached Zl 650 billion, increasing by nearly 8 percent on 1982. A part of this increase is accounted for by the consequences of price suppression. In this context, one piece of information will amply illustrate where we are with the reform and self-financing. Budgetary subsidies granted to enterprises in 1983 accounted for nearly 50 percent of their gross profit. And the figure rises to 66 percent when other budgetary resources flowing to inefficient units are added. In this way, the efficient companies and the population--through, respectively, corporate income tax and sales tax--keep the inefficient afloat, while at the same time fueling inflation.

It would be very hard to compute what share is contributed to inflation by subsidies, but the MPs showed good intuition in the past two years when demanding--to no avail, incidentally--that radical changes be made in this field.

Let's now turn back to pricing. As is known, all categories of prices have now to be based on cost-plus calculations, treated as an effective tool preventing price increases and the passing onto buyers of all kinds of cost growth. That principle was introduced and spread against warnings from

economists--but with support from the public, confident that prices would become as a result more digestible. The formula of warranted costs was supposed to prevent prices from including all kinds of costs--together with the costs of mismanagement. The intention may have been correct, but as shown by studies conducted by a team from Warsaw University's Management Department the warranted-cost category is of no major importance for the halting of cost-push inflation and for its transformation into a price inflation. As shown by many inspections, price calculations were universally based on costs higher than those determined by the warranted-cost formula.

The departures are seen both in material and labor costs. Authors of a study into the subject [see "Information Materials Of the Price Board," September 1984], write that "the irregularities observed in practical implementation of the warranted-cost formula prove that the opportunities enjoyed in this field by enterprises are enormous."

But in this, the enterprises are actively helped by the decision-making Center. The study found no instance of the rejection by the parent body or the regional price board of a price calculation based on too low shift-work coefficient. Wherever correction was decided, it was made ex post, leaving the enterprise concerned with the previously accrued benefits.

The possibility of controlling enterprise calculations is strongly limited, e.g. by the number of produced items, or the need to check a host of cost components for every single item. Often, this requires not only the economic lore but technical check-ups as well.

"In order to meet the requirement of the depth of control, a Kielce voivodship inspector was forced to confine himself to checking eight out of 253 prices set by one enterprise," write the authors of the study.

The above sentence tells everything about the illusion attached to the warranted costs. Checking all price calculations at just one enterprise would require that over thirty inspectors be sent for a period of one week, while the Regional Price Inspectorate in Kielce employs ten of them. One inspector could do the job as well, but it would take him eight months to complete. Now map this on the scale of the economy as a whole, and you will see the absurd price of this kind of fight for price stability.

The deputies seem to have finally realized that by casting our lot with the warranted-cost category we have found ourselves in an impasse. This is how one can interpret the words of Deputy Sawko who emphatically stressed that "the Government should intensify measures aimed at stricter verification of prices and costs--but the socially warranted costs rather than the warranted costs category which often hides organizational mess and mismanagement." The demand is catchy, and what remains is only to find someone who will tell how.

Wages

An aggregate estimate of the population's money incomes and expenditures, carried by the Planning Commission report, puts the higher-than-planned

increase in incomes at Zl 510 billion, or 13.5 percent. As shown by analysis for the first-half of 1984, the trend is continuing. In this situation, the authors of the report find it "imperative that an effective system be created of hampering the dynamics of wages at socialized enterprises, which is excessive from the standpoint of the country's economic equilibrium."

It will be worthwhile to have a closer look at this hampering and see where and how it influences inflation.

What is important is not only the dynamics of wages in general, but also their structure--and consequently the structure of production and employment. Shaped and consolidated in past years, these structures now favor the producer goods sectors. And it is the consumer-oriented branches that fall prey to the tight-money policy. This is strongly supported by the often-arbitrary procedures for granting FAZ relief. There are consumer sectors where labor shortage makes it imperative to provide strong stimuli to labor-productivity growth. But the indicator of productivity remuneration, counted as a ratio of nominal wages to growth in sold production at current prices seemingly, the least inaccurate from the angle of equilibrium, which in 1983 stood at 1.0 for industry as a whole, was only 0.93 for the food-processing industry and also below one for the light industry.

For this reason, the NIK President's statement--to the effect that "growth-rates of nominal wages throughout the socialized sector of the economy should be brought closer together to help attain the possible rate of growth in the physical volume of the supply of consumer goods and services"--should be implemented, to cover structural problems as well.

And finally, let's look at the method of combatting inflation through the activation of fiscal policy in respect to the population. After all, the appendix devoted to this problem carries the biggest number of legal regulations--25 of them. And it must be conceded that this list is most reliable, proving itself with the effects.

"As a result of various measures," reads the report, "the taxes and fees paid by the population, which were originally planned in CAP-83 to reach Zl 84 billion, actually ran at Zl 120 billion, and this year are going to further increase by Zl 50 billion. Yet, compared to other countries, the burden of taxes and fees on the population was still very low, accounting for just 2.8 percent of the money incomes earned in 1983. This year, the figure may rise by some 0.5 point."

In the light of this, the concluding part of the report becomes wholly understandable. It begins with these words: "The assessment of the implementation of the anti-inflationary program indicates that some of its important points are not met--either wholly or partially. As a result, the relevant bodies were directed to immediately study the opportunities for their implementation or for speeding up the implementation and to formulate conclusions on this subject. Among other things, this concerns the raising of the population's

share in housing-construction finance, and the raising of the interest rate on credits awarded to the population and to the private sector."

Other conclusions stem from the positive assessment of program implementation, and as such they are only aimed at improving the instruments of tight money policy.

CSO: 2600/273

DETERIORATION OF STEEL INDUSTRY PLANT, EQUIPMENT DETAILED

Warsaw PRZEGLAD TECHNICZNY in Polish No 41, 7 Oct 84 pp 8-10

[Article by Ryszard Zarzycki: "The Steel Industry: A Rusty Pillar"]

[Excerpts] In terms of modernity, the Polish steel industry, the pillar of Poland's national economy, does not match the average world level. The bulk of its capacity is outdated and has little to do with modern technology. It has become customary to look for the reasons of this state of affairs in the economic policies of the previous decade and especially the failures of the last few years, when ambitious investment plans collapsed. But the roots of the backwardness of the Polish steel industry reach deeper than that. The process of disinvestment in this industry started a long time before the present crisis got under way. The pursuit of spectacular investment ventures often makes people forget about the need of careful maintenance and care for current repairs of the existing installations.

The chief reason for the aging of the production capacity of the steel industry was the application of the prestigious principle of ensuring a permanent development of the economy while lowering outlays on the steel industry. This resulted in a growth of steel output in terms of volume, which was only justified in the period of post-war reconstruction of the country. Already in 1965 it was possible to note a deterioration of technological and economic conditions of steel production.

Already then the quality of metallurgical products turned out by the older plants, which were not modernized in due course, did not match the customers' requirements, which were not really high.

There were plans to develop the production of high grade steels in the years 1966-1970, along with the improvement of quality of all the steel industry products. Large-scale modernization of many production departments was embarked upon and the construction of new ones began. However, expenditure on the processing departments was still too low to allow for a radical modernization of production structure and improve the quality of steel and broaden the range of products.

The gaps in the production structure were plugged by imports that were to be matched by exports. In the 1970s, the outlays on the development of the steel industry rose but as the demand for steel shot up by 1.2 million tons

in a year, while production was rising at a rate of 0.6 million tons, the emphasis was by necessity placed on investment projects ensuring a big growth in the volume of steel. In the critical year 1975, one billion dollars was spent on the import of steel. The collapse of the plans prepared for the years 1976-1980 resulted in a situation in which the projects aimed at developing the production of high-grade steel remained on paper for the most part.

However, this had the biggest impact on the condition of the oldest plants, leading in some cases to the technical demise of many departments or even whole steelmills. In recent years, investing in the industry ground to a complete halt because of the huge amounts involved and the shortage of funds.

At present, the technical condition of steel industry plants is quite diversified. Next to modern plants there are outdated plants and departments, which cannot produce steel of the required quality, which pollute the environment and whose further operation cannot be rationally justified.

The technical condition of the raw material departments has a decisive impact on the economic results of steel production. Out of the 68 coking batteries, only a half should still be working and as few as four can be recognized as modern ones from the point of view of the dimension of their chambers, productivity and the auxiliary machines installed. The batteries which are still fit for work are approaching 20 years of age, which is considered the limit of their technological life. The remaining batteries represent the technological level of the 1930s and as many as 20 percent of them have been working for over 50 years. They should be pulled down as fast as possible. The Concordia coking plant, as the only producer of pitch, which is indispensable for the production of the electrodes used in the more modern steel plants, might collapse any moment because of the unsteady ground on which it stands.

The batteries which have worked for over 20 years are particularly harmful to environment. They lack equipment for the purification of gases. Their further overhauls would make no sense as they would amount to sanctioning their technological backwardness. A thorough modernization is also impossible in many cases not only for technological reasons but also because of the lack of space, as many of the Silesian coking plants are situated in the center of towns. There is not enough capacity among the overhaul services and shortages of fireproof materials. The wet process of coke quenching used in the old plants uses 1.5 cubic meter of water per one ton of coke. Even if 1 cubic meter of water can be recovered, 0.5 cubic meter is irretrievably lost. The water used in the process is often insufficiently clean, which results in a high degree of pollution and damage to the coking plant installations and even to steel and concrete structures in the vicinity.

Every year, over 3 million cubic meters of coking plant effluent carrying a high concentration of phenol and an identical quantity of low-phenol effluent finds its way into the rivers, which were turned into open sewers in Silesia a long time ago. Meanwhile, in other countries, the techniques of removing phenol from water have been so advanced that in the final tanks of the sewage treatment plants it is even possible to breed fish.

The old plants are an environmental hazard due to the high number of technological operations. For example, in Poland, 435 operations are performed in a day, compared to only 55 in Japan. This leads first of all to increased gas and dust emission; the latter was measured at 3 kilograms per one ton of coke produced in 1984.

The only rational action is to build new high-efficiency big-chamber coking batteries using the dry quenching process, which would both offer better working conditions to the people and protect the environment.

The new coking plants can be less of an environmental hazard as it is possible to recycle all effluent and minimize dust and gas-emissions through the use of sealed installations. Also noise could be reduced to a tolerable level. Coke is an irreplaceable technological input for the steel industry as well as being a more refined energy carrier. It is also the one elementary raw material for the steel industry that does not have to be imported. There is no raw material barrier here, in fact there are social and economic reasons for developing its production instead of promoting the export of coking coal. In reality, though, coke production has been declining in recent years whereas the less profitable export of coking coal has been on the increase. If the coal were processed into coke, the by-products of the coking process such as gas, tar, benzol and ammonium sulfate would increase the value of the coal used in the process by 40 percent. The value of coke is much higher than the value of the coal used in the process. Coal, which is Poland's national wealth, would be used in a more rational way if coke production were expanded even to 30 million tons a year which would mean doubling the output from the present level. Then it would be possible to replace the export of coking coal with the export of coke, while the battery gas obtained in the process would help improve the country's gas balance. Also the processing of tar and benzol, which are important raw materials for the chemical industry, would be very profitable. A new battery often pays for itself in as short a period as seven months.

At present, the industry has 20 blast furnaces, of which only the two that work at Huta Katowice can be classified as fully modern units. The five fairly modern furnaces at the Lenin Steelworks in Cracow are already in need of modernization, while three more furnaces are not working at all at present. The remaining blast furnaces, which still work in the Kosciuszko, Bobrek and Pokoj steelworks, should be liquidated. However, at present it is vital to keep all the available blast furnaces working as the production of pig iron amounting to 10 million tons a year does not satisfy the demand of the steel departments. For many years Poland has imported some 1.5 million tons of pig iron from the U.S.S.R. and this figure cannot be increased. The construction of the third blast furnace in Huta Katowice would make it possible to close down the most inefficient and the worst polluting blast furnaces in other plants unless local ambitions, which often ignore technological and economic arguments, gain the upper hand.

Iron ore, which, next to coke, is the principal raw material for making pig iron, is almost wholly imported, chiefly from the U.S.S.R., at a rate of 7 million tons a year. The bad technical condition of most blast furnaces

makes it impossible to use the ore in the most economical way. The process of preparation of blast-furnace charge leaves much to be desired. As a matter of fact, only Huta Katowice is capable of obtaining sinter with the required properties and has full possibilities of sifting the sinter and the remaining components of the charge. Only in Katowice is the system of feeding the furnaces fully automated and computerized. The bell-less top and the Wurth feeding system ensure good sealing and the optimum distribution of the charge. As a result the furnace's work is what it should be, pig iron quality is high, and the loss of furnace gas is low. All the older plants except the Bierut steelworks in Czesztchowa use crude charge. In highly industrialized countries, 100 percent of the charge is segregated. The degree of charge richness, amounting to some 45 percent whereas in the world it can be as high as 60 percent means that unit coke consumption per one ton of pig iron is over 600 kilograms in Huta Katowice it is 522 kgs and is among the highest figures in the world, while in Japan it can be as low as 430 kgs. Now is there any indication that substitute fuels, making it possible to cut down on coke consumption, will be introduced. So, until the old blast furnaces are replaced by new ones, it is hard to imagine any drop in energy consumption. For the time being all that can be done is to modify the processes of ore sintering and pig iron production. Minor alterations to the existing furnaces can make it possible to raise the temperature of the blast and to use the heat of the blast stoves and the pressure of top gas for producing energy for the steel plant's own needs.

It is impossible to tolerate a situation in which steel plants discharge furnace gas into the atmosphere simply because they have no collecting equipment. The loss amounts to between 10 and 20 percent of the gas. It is possible to use surplus amounts of furnace gas for sintering, burning in coking batteries and even for burning in heating plants in the vicinity of the steelworks.

The desulfurization of pig iron outside the blast furnace is not used in any Polish plant, Huta Katowice included. Despite the fact that Katowice pig iron has a low sulfur content, not exceeding 0.03 percent, it could still be reduced to one third of this value if desulfurization outside the furnace were applied. This has been an elementary procedure in modern steel plants for many years. It is essential for the quality of pig iron, which is the raw materials for the steel departments and, in this way, is responsible for steel quality as well. If we want to tackle the matter of qualitative development of the steel industry this is one of the problems that have to be solved. The Polish steel industry has barely two converter steel-making plants in Huta Katowice and the Lenin Steelworks and three electric steel-making plants: the Nowotko, Zawiercie and Baildon plants. The Baildon facility is the only fully modern electric steel plant. The remaining facilities are very outdated open-hearth furnaces which use huge amounts of energy and were built in the years 1890-1943. The average age of the converters is 14 years, electric furnaces 29 years and open-hearth furnaces 62 years, while the average age of Japanese steel plants is less than 10 years.

The share of converter steel in overall steel output is as low as 38 percent, whereas in highly developed countries it is approaching the level of 80 percent.

The share of steel from electric furnaces is also low and amounts to 13 percent, compared to some 25 percent in the leading countries. Steel from open-hearth furnaces accounts for the remaining 50 percent, whereas elsewhere in the world this share is almost nil by now.

The completion of the construction of the third converter in Huta Katowice will make it possible to increase the output of crude steel and may facilitate the elimination of at least some of the shamefully obsolete open-hearth furnaces. But even so, this method will still account for some 30 percent of steel production even in 1990. Although the pressure of needs is hardly conducive to economies in the use of raw materials, energy and refractory materials or to an improvement of working conditions and steel quality, efforts should nevertheless be made to reduce energy consumption in the OH process by employing evaporator cooling of the furnaces and the use of the heat of the exhaust gas in boilers. However, if poor technical condition of the equipment may be an excuse for the irrational use of energy in the OH steel plants, it would be difficult to justify the squandering of energy in converter steel processes. In the most modern basic oxygen steel plant at Huta Katowice to this day some 220 million cu.m. of converter gas is lost every year its calorific value is 8,400 kJ per one cubic meter while it could easily be used e.g. for steam generation. Also the new electric steel plant in Zawiercie and in the Nowotko steelworks can be accused of using energy in an irrational way. The lack of scrap preparation departments in those steelworks means that unsorted scrap of improper quality is used, causing excessive wear of the electrodes imported from capitalist countries, much faster damage of the refractory lining of the furnaces and, worst of all, insufficient use of their capacity. The question of scrap quality must urgently be solved, also because of the excessive dust emission associated with it. The alternative solution, i.e., the installation of additional dedusting equipment, would call for huge outlays.

The unit consumption of energy in electric steel plants could be reduced through the intensification of steel production in arc furnaces. The use of some 14 cubic meters of oxygen per one ton of steel can cut melting time by 20 percent as well as making it possible to reduce the losses of imported alloy components such as chromium. However, neither Huta Zawiercie nor Huta Nowotko have their own oxygen plants.

At the end of the metallurgical process, steel is poured into ladles where it is subjected to processes designed to improve its quality, and then goes to ingot molds or to continuous casting machines. The continuous process was first employed on an industrial scale after World War II, both for casting mass-produced carbon steels and for high-grade steel varieties.

At present, it is possible to cast all varieties of killed carbon steel, most kinds of low-alloy constructional steel and a large part of high-alloy steels, including austenitic chromium-nickel steels. The use of this method results in a 10 percent reduction of losses, lower casting costs, makes it possible to ensure constant parameters to the process, the automation of technological operations and improved working conditions. The quality of the steel obtained in this way and especially its homogeneity, is much higher

than that of steel from ingot molds. It is also important that the continuous process replaces the processing of the ingots in cogging mills. The saving of energy is enormous, amounting to 109 J per one ton of steel. It can be hoped that such a saving of energy will be possible to obtain when the third converter, complete with a continuous casting process, is commissioned in Huta Katowice. For the time being, converter steel is cast into ingot molds and processed in cogging mills at Huta Katowice.

Only 4 percent of the steel is cast in Poland in the continuous process, which is one of the lowest indices in the world. The world average has meanwhile reached 30 percent and in Japan is as high as 85 percent. In the early years of development of this process, in the 1960s, Poland was one of the first countries to employ it. The equipment designed at that period and built in Poland are working to this day in the Jednosc and Zawiercie steelworks. The discontinuation of the further development work on these machines made it necessary to import continuous casting equipment for Huta Nowotko from France in the 1970s and has been responsible for the low share of steel cast in this way in the overall steel output.

There is too little emphasis on the processing of molten steel outside the furnaces [in vacuum, with synthetic slag of inert gas], which improves its metallurgical purity by eliminating undesirable elements, especially sulfur, deep oxidization and homogenization. In other countries, up to 20 percent of the total steel output undergoes vacuum treatment, while in Poland this share is as low as 5 percent, which is far too little, especially with regard to alloy steels. Only 40 percent of the steel undergoes argon treatment and a similar proportion of the metal is cast with the help of slide gates. These techniques are so obvious and widespread in steel production that foreign publications hardly mention them any longer. Alloy steels account for a mere 8 percent of Polish steel output, and often are obtained in obsolete processes, while in the world this share can be as high as 30 percent and keeps rising. Sweden, a world leader, is planning to increase the share of alloy steels above the 40 percent level. This state of affairs in Poland could only be improved by the construction of a new electric steel-making plant capable of producing half a million tons of high-alloy corrosion-resistant steels and tool steel.

OFFICIAL DETAILS PLANS CONCERNING PLASTIC PRODUCTS

Warsaw PRZEGLAD TECHNICZNY in Polish No 38, 16 Sep 84 pp 14, 15

[Interview with Wlodzimierz Buczynski, deputy director, CHEMIPLAST Distribution Agency, by Elzbieta Mamos]

[Text] This journal has often spoken out on the theory of the current reform, but the reform's day-to-day vicissitudes are still decided in the halls of wardens of central allocation. Their views seem to us worth listening to, even though the solutions they offer--central financing, lower sales, higher purchases, new investment--border on the surrealistic.

Question: Poland produces 600-620,000 tons of plastics every year, which puts per-person consumption below 20 kg. Poland trails all other European Comecon countries in this respect. Czechoslovakia has some 65 kg, East Germany some 45 kg and there is no point in comparing ourselves to advanced industrial nations. West Germany 120 kg or so, the Netherlands some 150/kg person.

In 1960, the average West German car had some 10 kg of plastics in it, in 1975 some 52 kg, and in 1980 already 70 kg. In the United States, 100 kg was used by then. Forecasts for 1990 put the proportion of plastics in a car at 140-150 kg, and those for 1995 at 225 kg per car.

For years now, Poland's output capacity in this domain has not been growing. It was only this year that the PVC factory in Wloclawek started to work at all, but it had been planned for opening in 1980. While its theoretical annual capacity is 200,000 tons, it is only for 1985 that 180,000 t is planned. Nearly all plastics are at the disposal of Chemiplast sales company which alone decides who shall get how much of what.

A.: Let me make two corrections. First, Chemiplast does not have control over all plastics. We decide over the four high-tonnage plastics--polyethylene, polypropylene, polystyrene and polyvinyl chloride [PVC]. Second, we are not completely free to decide who should get how much of what, because we are bound by the Central Annual Plan [CAP], the centrally-fixed allocation of production materials, Government-sponsored operational programs, and Government orders.

Q.: These high-tonnage plastics account for some 60 percent of the total output of plastics. What is their balance and forecasts for the nearest years?

A.: For each of these four plastics we have recently drawn up balance-sheets for 1984-85 and 1986-90. Let me start with polyethylene. The 1984 CAP provides for 135,000 t, and the industry's first-half performance suggests this target may well be achieved. Demand for high-pressure polyethylene is estimated at 130,000 t. But we have at our disposal only 94,500 t--plus 1,000 t of imported polyethylene--because 40,000 t goes abroad within the self-liquidating deal for the Olefyny II project at the Plock petrochemical combine. This means that domestic users can meet 70-73 percent of their demand. But since several buyers pharmacological industry, small-scale businesses, fertilizer bag producers get priority treatment in deliveries, others will receive 50-60 percent of the quantities they ordered. For 1985 we estimated demand to be at 142,000 t high-pressure and 19,000 t low-pressure imported polyethylene. Although the National Socio-Economic Plan provides for an output of 150,000 t, producers said they would turn out 129,000 t. The NSEP target is a theoretical quantity making no allowance for repairs or breakdowns which may happen any time. You can set targets higher by 2-3,000 t than in 1984 but not by 15,000 t because that would be unrealistic. All producers of polyethylene assume that this output level would be sustained till 1990 while demand will go up to between 180,000 and 200,000 t.

Q.: Imports, then, appear as the only rescue, don't they?

A.: Imports along with cuts on exports which, according to the NSEP, is to amount to 40,000 t. Chemplast demands that polyethylene exports should be reduced to 10,000 t, while 14,500 t should be imported from socialist and Western countries. We can also try to make better use of post-production waste materials so far only 5, maybe 7 percent was used and persuade users to substitute PVC for polyethylene. These are of course only short-term measures which slightly improve supplies but in no way resolve the problem of acute polyethylene shortage on the domestic market.

Q.: The Plock petrochemical works is also the biggest producer of polypropylene. The 1984 CAP target is at 58,000 t.

A.: Production proceeds smoothly and I'm sure this 58,000 t will be achieved. Even so, the current year is disastrous for domestic users of polypropylene. The fault goes to producers of sheaf-binder string who on account of their absolute priority treatment will be given 13,100 t last year 6,900 t. Polypropylene buyers ordered in all 92,000 t, Chemplast estimated this demand to be closer to 80,000 t, while deliveries amount to 58,000 t less 5,000 t to be exported according to the CAP. In this situation, deliveries to domestic buyers amount to 60-65 percent of demand. Again, as in the case of polyethylene, some buyers have priority medicinal drug producers, producers of household durables which means they are going to get as much as they order and so the others will cover maybe 50 percent of their needs. This has most painfully hurt the production of consumer goods, and therefore it's very difficult to find buckets or bowls.

Q.: What are the forecasts for 1985 and the next five-year period?

A.: Theoretically, the Plock facility has 60,000 t yearly capacity, but actually it can attain no more than 57-58,000 t. So although the NSEP provides for 60,000 t in 1985, we have optimistically assumed that output will reach 58,000 t. But demand will be some 90,000 t. Sheaf-binder string alone will require 18,000 t. By 1990, demand will grow to 106,000 t or so while domestic output will keep at 57-58,000 t. As we see it, there is a good chance for importing polypropylene from Czechoslovakia and Hungary. For years, too, polystyrene has been in short supply in Poland and supplies have been steadily decreasing. Late in the 1970s a second polypropylene facility was opened at the Plock combine which made many buyers of polystyrene switch over to polypropylene. Whereas in 1976-80 domestic output of polystyrene amounted to 25,000 t, at present it is at most 19,500 t. The shortage is not of output capacity but of styrene. Demand for polystyrene is estimated at 55,000 t.

Q.: Is this estimate based on demand recorded by users or on Chemplast's own analyses?

A.: This demand estimate is very close to the real one, not imaginary. In 1980, we had almost 45,000 t of polystyrene 23,700 t from domestic production and 20,700 t from imports but even then not all demand could be covered. There was a time when a special watch commission could request the minister of the chemical industry to ban the use of some plastics in the production of some articles. But can this go on under conditions introduced by the economic reform?

Q.: In the NSEP target for 1985, polystyrene consumption is to amount to 33,000 t.

A.: But we estimate effective demand to be close to 59,000 t. If Polish producers supply 19,500 t and imports reach the planned 12,000 t, then we'll have 31,500 t for redistribution. This year we have 27,000 t at disposal, which means we meet some 50 percent of the demand declared by our buyers. In our estimate, demand for polystyrene in 1986-90 will be roughly 60,000 t a year. Output will probably go up slightly no sooner than in 1989 or 1990, after the facility in Oswiecim has been modernized. We can therefore only hope for big imports to the tune of 23-25,000 t, which would then suffice to cover 70 percent or so of total demand. Faced with this situation, we believe that polystyrene imports should be embraced by the central-financing system.

Q.: These plastics could be substituted by polyvinyl chloride but, as far as I know, even PVC is in short supply in Poland.

A.: Indeed, the 238,000 t set as the CAP target for this year will certainly not be attained. The planners had assumed that Wloclawek alone would turn out 84,300 t this year. But in the first half that factory produced little over 18,000 t, because Polish-made manomer was introduced in the production process only late in May this year. This does not change the

fact that if the Wloclawek factory comes close to its projected capacity of 200,000 t, which will probably happen next year with the plan target of 180,000 t, then Poland will have a relative abundance of PVC. The NSEP for 1985 provides for 316,000 t, but we assume on the ground of producer's declarations that actual output will amount to 288,500 t. Users' demand is estimated to reach 200,000 t while the plan provides for imports of 12,900 t of PVC grades which are not produced in Poland and for exports of some 100,000 t. This would eventually leave Poland with a zero balance. Also till 1990, planned yearly output is 280-285,000 t. Some of the PVC has to be exported in part fulfillment of the payoff deal for the Wloclawek project. For 1990, the export plan target is 120,000 t, which means that Polish users would receive only 40,000 t from Wloclawek. Chemiplast proposed a different distribution pattern of the "installments" of exports, increasing in 1985 exports from 50,000 to 120,000 t which should improve the future PVC balance in Poland.

Q.: Considering the new production from Wloclawek, many users indeed switched over to PVC. Among other things, they started new installations for the production of pipes. Is there even a single plastic which is produced in Poland and which can be said to be in abundance?

A.: Not among those Chemiplast is to distribute. Perhaps it was too rash a decision to switch over to thermoplastics while also neglecting heat-hardening plastics phenol- and melamine-based plastics. Besides, we are limited by oil deliveries and this situation is not going to change during the next few years. Plans provide no major resources for the construction of new factories of plastics. So we have to assume very high imports unless we want many factories to grind to a halt. But, can we afford such a thing?

CSO: 2600/276

BUCHAREST INTERNATIONAL FOREIGN TRADE SEMINAR

AU280959 Bucharest AGERPRES in English 2150 GMT 27 Nov 84

[Text] Bucharest, AGERPRES 27/11/1984--Starting November 27 the Romanian capital city venues a three-day international seminar on "Export Advertisement" organized by the Ministry of Foreign Trade and International Economic Cooperation, the Romanian Marketing Association and the EEC Commission.

The seminar is part of the efforts Romania and the EEC make for the development of mutual economic exchanges, for the expansion and diversification of collaboration between the two sides, stated in his exposition Nicolae Andrei, deputy foreign minister of foreign trade and international economic cooperation, chairman of the Chamber of Commerce and Industry of Romania.

Specifying that the EEC member countries rank first in the Romanian foreign trade as a whole among the countries with market economies, the speaker pointed to the need to steadily improve and adapt the methods and means specific of foreign trade activities to those countries market conditions with a view to increasing Romanian exports to the EEC member countries and to raising their efficiency.

In his turn, Armand Imbert, chief administrator of the Commission of the European Economic Community, showed that this year's seminar was a continuation of one held in February 1983, and an expression of the EEC Commission's willingness not to limit the trade agreement concluded with Romania to annual discussions among decision-makers of the two sides but to complete, prolong and enrich them through meetings among experts in the economy and trade.

During the seminar which is attended by numerous Romanian experts of economic ministries, central industrial departments and foreign trade enterprises questions will be approached related to the promotion of Romanian industrial goods sales in the markets of the EEC member countries.

IRON GATES II POWER STATION DAM COMPLETED

AU271839 Bucharest ACERPRES in English 1730 GMT 27 Nov 84

[Text] Bucharest ACERPRES, 21/11/1984--An outstanding event on the "Iron Gates II" waterpower plant construction site: On November 26, 1984 damming operations on the millenary course of the Danube concluded, the dam is 570-metre long and made up of more than 600,000 cu.m of stone, ballast and concrete blocks. The conclusion of this important stage in the construction of the large waterpower and navigation system will be followed by two premieres: the opening of navigation through the Romanian lock and the connection of the first turbine to the Romanian national electric grid system.

The Danube's average energy-giving potential at the border with Yugoslavia --along 224 km--is of 8,050 kw per km, which is the largest in Europe. The two countries have decided to capitalize it. The first waterpower and navigation system built by Romania and Yugoslavia--the "Iron Gates I"--was commissioned in 1971. The Romanian hydroelectric station there supplies some six billion kWh a year, and the investment was recovered in seven years' time. Then building works started on the "Iron Gates II" system with each side operating interpower plant, a navigable lock and the spillway. The locks also have downstream and upstream basins, each 400 m long and 100 m wide. The total generating capacity of the Romanian station (equal to that of the Yugoslav one) is of 438 mw. The average production of each of the plants is envisaged to stand at 1.4 billion kWh a year.

The capitalization of the energy-giving potential of the Danube and of inland rivers is an essential component of the Romanian energy programme. In the years of socialism, as many as 70 hydroelectric stations were built and 46 are now under construction. Their total installed generating capacity will amount to 2,200 mw and they will generate an annual average of 5.5 billion kWh.

BRIEFS

NEW OFFSHORE DRILLING RIG--Bucharest, AGERPRES 16/11/1984--The third Romanian offshore drilling rig has recently started production.. The new Black Sea unit has joined the "Gloria" and "Orizont" rigs that have been operating for some time in the Romanian Black Sea continental shelf. A true floating factory, the new rig can stand comparison with the most up to date versions made around the world as a result of its improved characteristics: higher drilling speed, high-yield equipment, better manoeuvrability. A large proportion of its equipment is Romanian-made, mainly the hydraulic hoisting and lowering equipment. The Galati manufacturers have recently launched another offshore drilling rig and started work on another two. Besides, drilling rig no. 4 is at an advanced state in the Seaport of Constanta.

[Text] [AU181706 Bucharest AGERPRES in English 1855 GMT 16 Nov 84]

CSO: 2020/32

REPUBLIC TRADE WITH HARD-CURRENCY AREA

Belgrade PRIVREDNI PREGLED in Serbo-Croatian 1 Nov 84 p 3

[Article by Milorad Urosevic: "Negative Difference Reduced by a Fifth"]

[Text] In 10 months, exports in the convertible market reached 582.3 billion dinars, which is 8.5 percent more than last year in the same period, but also 16 percent less than planned for this year. Exports decreased by 13 percent, so the deficit has been reduced by approximately one-fifth.

Everything that was said in the preliminary remarks about the total trade of the Yugoslav economy with foreign partners over the 10-month period also applies, in an even more pronounced form, to the trade with countries in the convertible currency area. The fact that the coverage of exports by imports in these markets is slightly more favorable than was planned, and compared to the identical period a year earlier was even noticeably improved, is only an encouraging fact--because the deterioration continuing for several years has been stopped--but is in no way a reason for satisfaction.

In order to make it possible to achieve the planned proportions, which were contained in the resolution on economic development this year, exports to this currency area were to have grown, compared with 1983, at a rate of 20 percent, and imports at a rate of 9 percent. This would have caused a slightly higher deficit than that which came about in 9 months, but both greater exports and imports would have resulted in considerably greater production in the country and on that basis a faster realization of all the other plan ratios as well.

How did trade proceed in the period in question? what kind of relations were there with respect to what was achieved in the preceding years, but also with respect to the planned values?

As can be seen, exports worth 582.3 billion dinars were achieved, which is equivalent to \$4.65 billion. This is 8.5 percent more than in the same months last year, while it is 16.1 percent less than what was supposed to have been done.

At the same time, imports reached 685.5 billion dinars, or \$5.51 billion, which is only 1.9 percent more than during the same period last year, but 16.4 percent less than stipulated by the plan for this year (adjusted for 9 months). With these trends, the deficit was reduced to 103.3 billion dinars, or 859 million. This is 23.3 percent less than in the same period last year, and a little more than 19 percent below the plan. The coverage of imports by exports was increased from 79 percent last year in the same months to 84.9 percent, which is 0.9 percent more than planned.

As in overall trade, the contributions of individual sociopolitical communities are very different here as well. This is also influenced by the official position that exports to the convertible area are "a matter of life and death," which has a justification if one knows that an enormous part of the country's debts come from there, but likewise has a justification in the fact that foreign exchange in this area belongs to the one "who earns it"--namely the exporters. Convertible foreign exchange is in several ways converted into dinars in Yugoslavia through various prohibited but tacitly tolerated transactions, and thus an enormous unearned income is acquired, which is not the case with foreign exchange earned in the clearing area, which will be discussed separately.

Thus only Slovenia has a surplus in the convertible area, with 108.5 percent coverage of imports by exports, followed by Bosnia-Herzegovina with 99.5 percent and Serbia proper with 93 percent. Croatia, with about four-fifths, and Macedonia and Vojvodina with about seven-tenths coverage of imports by exports, are sociopolitical communities that possess oil refineries. They orient their exports primarily to this currency area because, as has been stated, they have multiple benefits from having foreign exchange from it, while they receive a considerable part of the oil from the clearing area through the blessing of the state or through an "acquired right."

Kosovo and Montenegro, in addition to Serbia proper, are responsible for most of the exports to the clearing area on the basis of the commodity lists established at the end of each year for the next one, so that to a considerable extent they pay the bill for this kind of policy in foreign trade, with consequences that have been appearing for years, since no will exists to eliminate these illogical occurrences at last.

Here as well there is a manifestation, even much more than in total trade, of the intolerable situation of the federation being burdened with part of the deficit: of a total of 114.6 billion dinars, it bears more than half, along with Croatia.

**SPOLNOTRGOVINSKA RAZMENA U PERIODU
JANUAR-SEPTEMBAR 1984.**

NA KONVERTIBILNOM PODRUČJU

Društveno- politička zajednica	U milionima dinara			Pokri- nost uvoza izvozom	% učešća u:		
	Izvoz	Uvoz	Deficit		Izvoz	Uvoz	Deficit
SFRJ	582.326	685.500	103.174	84,9	100,0	100,0	100,0
- Bosna i Hercegovina	81.617	82.021	404	99,5	14,0	12,0	0,3
- Crna Gora	10.181	14.863	4.682	68,3	1,7	2,1	4,1
- Hrvatska	127.597	158.158	30.561	80,7	21,9	23,1	26,7
- Makedonija	28.641	40.961	12.320	70,0	4,9	6,0	10,8
- Slovenija	144.825	133.457	+11.368	103,5	24,9	19,5	+100,0
- Srbija bez pokrajina	130.735	140.530	9.795	93,0	22,5	20,5	8,5
- Kosovo	7.053	12.849	5.796	55,1	1,2	1,9	5,1
- Vojvodina	50.689	71.001	20.312	71,4	8,7	10,3	17,7
FEDERACIJA	987	31.660	30.673	3,1	0,2	4,6	26,8

Key:

1. Foreign Trade in the Period January-September 1984
2. In the convertible area
3. Sociopolitical community
4. In millions of dinars
5. Percent share in:
6. Exports
7. Imports
8. Deficit
9. Coverage of imports by exports
10. Montenegro
11. Croatia
12. Serbia proper

9909

CSO: 2800/79

REPUBLIC TRADE WITH CLEARING-ACCOUNT AREA

Belgrade PRIVREDNI PREGLED in Serbo-Croatian 2 Nov 84 p 2

[Article by Milorad Urosevic: "Planned Deficit Tripled"]

[Text] In 9 months exports fell to 305.4 billion dinars, or by 3 percent compared to the same months last year, i.e., one-fifth less than what was planned. Imports were increased by 5 percent compared to the same months last year. Compared to last year's deficit at the same time, the deficit is two-thirds larger, or three times as large according to the plan.

The Yugoslav economy's foreign trade with the countries of the clearing currency area, with the honorable exception of two republics and one province, has displayed a markedly unfavorable trend. This is not only if one takes into account the planned ratios--which are not being even approximately achieved even with respect to total trade with the convertible area--but also when they are compared with what was achieved during the same period of time last year.

Possibly this could even be understood if one accepted that exports to the convertible area, as frequently claimed, are a matter of life and death for the economy and thus for the country as a whole. A slightly more detailed look at the structure of trade, however, reveals that something quite different is involved. It is sufficient just to stress that more than one-third of imports from the clearing area is composed of energy raw materials (coking coal, oil, and oil derivatives), in order to understand the significance of balancing trade with partners from this area. The fact that it is deteriorating in spite of this is a consequence of the system for the control of the foreign exchange earned, which suits individual sociopolitical communities, as will be discussed later.

Goods worth 305.4 billion dinars were exported, which at the prevailing exchange rate is equivalent to \$2.45 billion, or 3 percent less than in the same months last year and as much as a fifth less than the plan for this year adjusted for 9 months. There were 375 billion dinars, or \$3 billion, paid for imports.

This is 5 percent more than last year at the same time, but also 7 percent less than the plan, from which it turns out that only 81.5 percent of imports were covered by exports, and the debt was considerably increased. Instead of the planned deficit of \$190 million, \$557.4 million was recorded, which is 67 percent more than in the same months last year and three times more than was stipulated in the plan ratios.

It is not difficult to see what influenced these trends. Bosnia-Hercegovina has a nearly complete coverage of imports by exports in the convertible area, but only 77 percent in the clearing area. Macedonia has the same thing: seven-tenths versus just a little more than half, while Vojvodina has about 72 percent in the convertible area and barely two-fifths in the clearing area. These two republics and Vojvodina are the "owners" of oil refineries, which receives oil based on previously "acquired rights," so that they are not forced to change their conduct and devote more attention to this market. The attitude of Croatia, which in previous years likewise paid little attention to trade with the clearing area, is different, so that now for every 100 dinars in imports from these partners, it has nearly 90 dinars in exports, compared to only 80 dinars in the convertible currency area. Slovenia is an opposite case. Although it does not have a refinery, this republic obtains from this area raw materials for its manufacturing industry, so nevertheless these imports are only four-fifths covered by exports, while at the same time the imports from the convertible market are covered by 108.50 dinars of exports.

In contrast to these examples, which resulted in a negative difference of 93.25 billion dinars, Serbia proper, Montenegro, and Kosovo earned a surplus of 23.7 billion dinars, and thus reduced the overall negative balance to the designated 69.56 billion dinars.

The greatest share in this is that of Serbia proper, which admittedly has a coverage of imports by exports in the clearing area of only 125.4 percent, but in proportion to its share in total trade, also has a positive balance of 16.6 billion dinars, or seven-tenths of the total. Montenegro and Kosovo have a 183.3 and 153.1 percent coverage of imports by exports, respectively, and share the remaining portion of the surplus with 15 percent each, thus covering the deficit of the developed sociopolitical communities, but also the rights acquired long ago to obtain the part of the imports corresponding to them.

Finally, the joint conclusion, both for overall foreign trade and for the currency areas, is as follows: the results for the 9 months are somewhat more favorable than in the same months last year, but only because the basis for comparison is a very negative one, so that an improvement had to occur because there could not have been anything worse. If one, however, takes into account the plan and the fact that the failure to fulfill it will result in very unfavorable consequences, there are very many reasons for concern.

1) Spoljnotrgovinska razmena u periodu januar-septembar 1984. 2) KLIRINSKO PODRUČJE								
Društveno-politička zajednica	4) U milionima dinara			Pokrivenost uvoza izvozom	5) % učelsta u:			
	6) Izvoz	7) Uvoz	8) Deficit		Izvozu	Uvozu	Deficitu	
SFRJ	305.450	375.008	69.558	81,5	100,0	100,0	100,0	
- Bosna i Hercegovina	47.041	61.059	14.018	77,0	15,4	16,3	15,0	
- Crna Gora	7.906	4.312	+3.594	183,3	2,6	1,1	+15,2	
- Hrvatska	74.959	84.095	9.136	89,1	24,5	22,4	9,8	
- Makedonija	18.181	35.017	16.836	51,9	6,0	9,3	18,1	
- Slovenija	37.057	46.236	9.179	80,2	12,1	12,3	9,8	
- Srbija bez pokrajina	82.099	65.465	+16.634	125,4	26,9	17,5	+70,2	
- Kosovo	9.997	6.531	+3.466	153,1	3,3	1,8	+14,6	
- Vojvodina	28.154	71.983	43.829	39,1	9,2	19,2	47,0	
FEDERACIJA	56	307	251	18,7	0,0	0,1	0,3	

Key:

1. Foreign Trade in the Period January-September 1984
2. The clearing area
3. Sociopolitical community
4. In millions of dinars
5. Percent share in:
6. Exports
7. Imports
8. Deficit
9. Coverage of imports by exports
10. Montenegro
11. Croatia
12. Serbia proper

9909

CSO: 2800/79

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